

Message Text

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E.O. 11652: GDS

TAGS: PFOR

SUBJ: JOINT WORKING GROUPS--SUEZ CANAL

RECONSTRUCTION AND DEVELOPMENT

REF: CAIRO 4703

1. AS PROMISED IN REFTTEL, WE SUBMIT HERewith OUR THOUGHTS ON ORGANIZATION AOD FUNCTION OF JOINT WORKING GROUPS (JWG) ON SUEZ CANAL RECONSTRUCTION AND DEVELOPMENT.

2. ORGANIZATION: WHILE WE SHOULD AVOID PROLIFERATION OF GROUPINGS, WE BELIEVE THIS JWG SHOULD BE DIVIDED INTO TWO SEPARATE ENTITIES: ONE DEALING WITH REOPENING OF THE SUEZ CANAL; THE OTHER FOCUSING ON SUEZ CANAL AREA (INCLUDING CITIES) RECONSTRUCTION. THE TWO FUNCTIONS ARE ADMITTEDLY INTER-RELATED THERE IS AN ELEMENT OF URGENCY ABOUT BOTH IN ORDER TO STABILIZE THE AREA. HOWEVER, EVEN THOUGH THERE IS SOME OVERLAP IN PLANNED ACTIVITIES (E.G. THE CONSTRUCTION OF HOSPITALS), GOE MAKES SHARP JURISDICTIONAL DIVISION BETWEEN THEM. SUEZ CANAL AUTHORITY (SCA) CHAIRMAN MASHOUR HANDLES SUEZ CANAL, WHICH IS IN ANY CASE A POTENTIAL REVENUE EARNER. MINISTER OF RECONSTRUCTION OSMAN IS CHARGED WITH SUEZ AREA RECONSTRUCTION. COORDINATION BETWEEN THE TWO IS DESIRABLE, AND WE MAY BE A USEFUL CATALYST IN ENCOURAGING THIS, BUT COMBINING THEM INTO A SINGLE JWG COULD CAUSE CONFUSION AND UNHELPFUL BICKERING.

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3. SUEZ CANAL

A. MEMBERSHIP: WE WOULD EXPECT SCA CHAIRMAN MASHOUR OR, IN HIS ABSENCE, HIS PRINCIPAL ENGINEER BAHA AL-DIN AL-SAID. HE WOULD DOUBTLESS HAVE TECHNICAL ASISTANTS FORM SCA. ON US SIDE, WE RECOMMEND AMBASSADOR AND/OR DCM. ADDITONALLY, CDR CTF-65(AS LONG HAS HE IS HERE) AND, AS NEEDED, APPROPRIATE AID OR GOE EXPERTS SHOULD BE BROGUHT IN ON TDY BASIS FOR SPECIFIC TECHNICAL DISCUSSIONS. AT SOME APPROPRIATE TIME, ALTHOUGH NOT IN EARLY SESSION, THERE MIGHT ALSO BE SOME VALUE IN BRINGING IN DIRECTOR OF PANAMA CANAL ZONE CO. FOR EXCHANGE OF VIEWS ON CANAL'S PROBLEMS. VENUE SHOULD BE CAIRO OR ISMAILIYA.

B. FUNCTIONS

(1) REVIEW STATUS OF SUEZ CANAL MINE, ORDANCE AND SALVAGE CLEARANCE WITH A VIEW TO (A) ENSURING THAT THESES ACTIVITIES ARE ON SCHEDULE AND (B) DETERMINING WHEN CERTIFICATE PROMISED BY ADMIRAL MCCAULEY THAT CANAL IS SAFE FOR NAVIGATION CAN BE GIVEN. SUCH A CERTIFICATE (OR WHATEVER FORM IS USED) IS OF CONSIDERABLE POLITICAL AS WELL AS ECONOMIC IMPORTANCE TO EGYPT AND WE CAN GET SOME IMPACT OF IT LOCALLY.

(2) TAKE ACTION ON MASHOUR'S LIST OF URGENTLY NEEDED SPARE PARTS FOR AMERICAN EQUIPMENT OWNED BY SCA AND ALSO HIS URGENT NEED FOR DIVERS' SUITS. WE HAVE JUST RECEIVED SUCH A LIST AND ARE IN PROCESS OF AIRGRAMMING IT TO DEPARTMENT FOR STUDY AND APPROPRIATE ACTION.

(3)CONSIDER WHAT WE CAN DO TO HELP IN MEETING MASHOUR'S LONGER LIST OF EQUIPMENT NEEDED FOR CANAL (CAIRO A-41 AND STATE 127101), AND HOW THIS MIGHT BEST BE DONE (THROUGH IBRD OR DIRECTLY)

(4) EXPLORE SCA'S DREDGING PLANS, INCLUDING FIRST AND SECOND PHASES. (WE UNDERSTAND SCA IS STILL DICKERING WITH JAPANESE RE THEIR OFFER TO DREDGE ROUGHLY SOUTHER TWO-FIFTHS OF CANAL) SEEK TO ENSOURE THAT AMERICAN DREDGING FIRMS ARE GIVEN FAIR OPPORTUNITY TO PARTICIPATE. WHERE NECESSARY, LOOK FOR WAYS OF PROVIDING APPROPRIATE US ASSISTANCE (EX-IM, OR OTHERWISE) TO MAKE

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AMERICAN FIRMS TENTERS
MORE COMPETITIVE.

(5) USE THIS FORUM TO IMPRESS UPON SCA THAT, WITH PRUDET MANAGEMENT, THE CANAL IS A POTENTIAL REVENUE EARNER AND SHOULD LARGELY PAY FOR ITS REQUIREMENTS OUT OF ITS ANTICIPATED EARNINGS.

(6) EXPLORE EGYPTIAN PLANS RE TOLLS, TRAFFIC PATTERS, ETC, WITH A VIEW TO MAKING RECOMMENDATIONS ON MAXIMIZING RETURNS AND EFFICIENCY.

4. SUEZ CANAL AREA RECONSTRUCTION

A. MEMBERSHIP

ON EGYPIAN SIDE, PROBABLY MINISTER OF RECONSTRUCTION OR ONE OF HIS DEPUTIES. HOWEVER SINCE GOE ALSO HAS PLANS FOR ECONOMIC DEVELOPMENT OF THE AREA, WE WOULD EXPECT REPRESENTATIVES OF MINISTRIES OF FOREIGN TRADE, ECONOMY, LAND RECLAMATION, INDUSTRIES, AND PERHAPS FINANCE, TO PARTICIPATE AS NEEDED. ON US SIDE, AMBASSADOR AND/OR DCM, AID REPRESENTATIVE (WHEN ON DECK), APPROPRIATE EMBASSY ECONOMIC OFFICER AND TECHNICAL PERSONNEL AS NEEDED. VENUE SHOULD NORMALLY BE CAIRO.

B. FUNCTIONS

(1) SCERTAIN STATUS OF MINISTRY'S PLANNING FOR RECONSTRUCTION. WE UNDERSTAND SUEZ CANAL, ISMAILIA AND PORT SAID WILL BE HANDLED AS THREE SEPARATE PROJECTS AND CONCEIVABLY THERE MAY BE SPIN-OFF PROJECTS IN EACH.

(2) DETERMINE SPECIFIC OVERALL COSTS ESTIMATES OF PROJECTS.

(3) DETERMINE PROJECT PRIORITIES TO ENABLE US TO MAXIMIZE LIMITED USG FUNDS LIKELY TO BE AVAILABLE FOR THIS PURPOSE.

(4) ASCERTAIN WHAT OTHER DONORS HAVE OFFERED TO TO TO HELP IN SUEZ CANAL AREA RECONSTRUCTION IN ORDER TO AVOID WASTE AND DUPLICATION.

(5) SEEK TO ENSURE THAT AMERICAN FIRMS HAVE
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AMPLE OPPORTUNITY TO BID FOR PROJECTS OR PARTS THEREOF.

(6) ENCOURAGE INVESTORS TO PARTICIPATE IN RECONSTRUCTIONS ACTIVITIES BY INVESTMENT IN "FREE-ZONE" AREAS.

5. GENERAL COMMENTS: WE ALREADY HAVE A LEG UP ON SUEZ CANAL REOPENING THROUGH THE ASSISTANCE WE ARE NOW PROVIDING. IN OUR JUDGEMENT, HOWEVER, WE MAKE A MISTAKE BY EMPHASIZING ITS DOLLAR COST. WE MAY CONSIDER IT GENEROUS, BUT EGYPTIANS IN TERMS OF THEIR NEEDS DO NOT. INSTEAD WE SHOULD PRESENT WHAT WE HAVE ALREADY DONE PRIMARILY IN TERMS OF ITS VALUE IN EXPEDITING EGYPTIAN OBJECTIVES OF REOPENING THE CANAL AND MAKING IT ONCE AGAIN A USABLE

WATERWAY. WE SHOULD OF COURSE EMPHASIZE WE ARE DOING THIS FREE. CTF-65 PERSONNEL HAVE DEVELOPED EXCELLENT RAPPORT WITH SCA COUNTERPARTS AND THIS SHOULD BE HELPFUL. HOWEVER, CTF PERSONNEL NEED TO BE INSTRUCTED MORE FULLY ON HOW TO HANDLE MYRIAD OF EGYPTIAN REQUESTS, LARGE AND SMALL, WHICH ARE PRESENTED TO THEM. I AM SOMEWHAT CONCERNED THAT SOME ARE TOO UNCRITICALLY ACCEPTED AND THEN SIMPLY PASSED ON TO THE EMBASSY FOR ACTION. THE INJECTION OF REALISM INTO EGYPTIAN THINKING MUST BE CARRIED ON AT ALL LEVELS, INCLUDING CTF-65. I HAVE TALKED WITH ADMIRAL CARROLL ABOUT THIS AND WILL ARRANGE BRIEFING FOR MEMBERS OF HIS STAFF.

6. APRAT FORM ABOVE, WE WILL HAVE TO BEAR IN MIND THAT ENTIRE SUEZ CANAL AREA REMAINS MILITARY SENSITIVE AND THAT WE SHOULD EXPECT THE MINISTRY OF DEFENSE TO KEEP SHARP EYE ON PLANNING AND DEVELOPMENT IN ORDER TO ENSURE THAT EGYPT'S DEFENSE CAPABILITY IS NOT DEGRADED. THIS COULD CONCEIVABLY BE A PROBLEM AT TIMES IN TERMS OF ENCOURAGING RATIONAL ECONOMIC PLANNING.

7. SINCE FAHMY WANTS JWGS ORGANIZED AT AUGUST JOINT COMMISSION ON COOPERATION (JCC) SESSION, GROUP SHOULD ENDEAVOR TO HAVE SOME TANGIBLE RESULTS ANNOUNCED
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DURING PRESIDENT SADAT'S TRIP TO THE UNITED STATES. UPCOMING VISIT OF SECRETARY SIMON SHOULD OFFER FURTHER OPPORTUNITY TO PROBE PERTINENT EGYPTIAN THINKING.
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